

FIGHTING FOR NORTH CAROLINA HOMEOWNERS

Edwards Measure Would Protect Landmark North Carolina Law

Today, Sen. John Edwards introduced legislation to protect North Carolina's strong law against predatory mortgage lending. The Bush Administration recently ruled that North Carolina's law—as well as other states' laws—does not apply to national banks, leaving many homeowners in North Carolina and across the country vulnerable. Edwards' legislation would reverse this ruling, allow states to write strong laws, and protect families against home scams.

Predatory Lenders Exploit Families Struggling to Enjoy the American Dream:

Housing Costs Are Rising Quickly. Home mortgage costs have risen 70 times faster than one worker's income, eating up the income families have gained by sending a second adult into the workforce. Home foreclosures have more than tripled in 25 years. Costs of other necessities like health insurance, childcare, and college tuition are also increasing.

Predatory Lenders Steer Families into Bad Deals. As many as half of homeowners with subprime mortgages—which carry higher fees and interest rates and are intended for individuals more likely to default—could qualify for prime loans and save thousands in interest and fees. On refinanced mortgages, predatory lenders use deceptive terms and abusive interest rates and fees to strip away families' equity, reducing the amount of wealth they have saved in their homes. Sometimes they lose their homes entirely. As a result of predatory lending, Americans lose more than \$9 billion each year.

African-Americans, Other Minorities, and Senior Citizens Suffer. Minorities remain far less likely to own their home and racial discrimination endures in lending. Homeowners in high-income African-American neighborhoods are twice as likely as homeowners in low-income white areas to have subprime mortgage loans. Elderly homeowners also often bear the brunt of predatory lending.

North Carolina's Anti-Predatory Lending Legislation Is a National Model:

North Carolina Has a Strong Law Against Predatory Lending. In 1999, North Carolina enacted a strong law fighting predatory lending. The law has stopped the worst predatory practices, saving consumers \$100 million a year. Specifically, the law:

- Provides additional borrower protections when fees exceed 5 percent of the loan amount;
- Bans single-premium credit insurance that often results in borrowers being overcharged;
- Bans loan “flipping,” or loan refinancing that generates lender fees without benefiting borrowers; and
- Bans prepayment penalties on loans of less than \$150,000.

Banks Remain Willing to Lend in North Carolina. Mortgage credit remains available to North Carolina families, even those without excellent credit histories. Many national banks supported the law and no major lender has pulled out of North Carolina's mortgage market.

The Bush Administration Is Overruling State Predatory Lending Laws:

The Bush Administration Trumped State Predatory Lending Laws. In January, the Office of the Comptroller of the Currency (OCC)—part of the U.S. Department of the Treasury—issued new regulations exempting national banks from state predatory-lending laws, including North Carolina's law. The 2,100 national banks include the largest U.S. banks and account for 55 percent of bank assets.

Families Have Less Protection from National Banks. For consumers with national banks, the new rules voided strong consumer protection laws that have been states' responsibility for more than a century. The rules also prohibit the 50 state attorneys general from enforcing predatory-lending laws. The new rules threaten longstanding precedent that national banks are subject to state laws and a dual system of enforcement. In addition to predatory-lending laws, national banks would be exempted from state false advertising statutes, do-not-call registries, and other consumer protections.

New Rules Also Undermine Protection from State Banks. The OCC rules create a safe haven for predatory lenders in national banking law, but that is not all they do: they also undermine state efforts to regulate state-chartered banks. State banks can evade state regulation by converting to a national bank or forming a business relationship with an existing national bank. In addition, states are unlikely to crack down on predatory lending when tough laws cannot be enforced and will only encourage banks to leave the state.

Edwards Legislation Would Restore the States' Right to Protect Families:

Edwards' Legislation Would Protect North Carolina Families. Today, Edwards introduced legislation that would scrap the new OCC rules. The legislation would reinstate the law prior to January 2004, allowing North Carolina and other states to protect homeowners with strong laws against predatory lending. Edwards today also renewed his call for national measures to stop predatory lending, such as S. 1928 sponsored by Sen. Paul Sarbanes and cosponsored by Edwards.

Edwards' Agenda to Help Families Get Ahead. Today's legislation to fight predatory mortgages is part of Edwards' agenda to help American families save, invest, and build a better future. He has proposed tax credits to help families buy a first home and save for retirement. He also supports additional steps to fight abuses in the financial industry, including credit card rip-offs and abusive payday lending.